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FM AMEMBASSY CARACAS
TO RUEHC/SECSTATE WASHDC PRIORITY 3572
INFO RUEHAC/AMEMBASSY ASUNCION PRIORITY 1034
RUEHBO/AMEMBASSY BOGOTA PRIORITY 8042
RUEHBR/AMEMBASSY BRASILIA PRIORITY 6175
RUEHBU/AMEMBASSY BUENOS AIRES PRIORITY 1774
RUEHMU/AMEMBASSY MANAGUA PRIORITY 1479
RUEHMN/AMEMBASSY MONTEVIDEO PRIORITY 0917

C O N F I D E N T I A L CARACAS 001085

SIPDIS

SECSTATE PASS AGRICULTURE ELECTRONICALLY

E.O. 12958: DECL: 08/07/2024
TAGS: [ECON](#) [EAGR](#) [ETRD](#) [VE](#) [PGOV](#)
SUBJECT: COLOMBIAN BEEF IS NOT WHAT IS FOR DINNER

Classified By: Randall Hager, Agricultural AttachQ, for reasons 1.4 (b) and (d)

¶1. (C) SUMMARY: As a result of chilly Venezuela-Colombia bilateral relations, food processors are pessimistic about Venezuela's future beef imports from Colombia. By presidential order, trade is effectively paralyzed, and some processors can only access raw materials from a domestic cattle herd diminished by faulty government policy. Importers and processors are "encouraged" by the government to purchase from more friendly countries, and Argentina and Venezuela have recently signed agreements to boost bilateral trade. To complete the business model, the BRV is threatening to expropriate leading Venezuelan beef processors, giving them a complete farm-to-market chain. END SUMMARY.

¶2. (SBU) On August 1, President Chavez announced he had "frozen" trade with Colombia, including food and raw materials imports for processing in Venezuela. Among Colombia's leading exports are live animals and processed beef. For example, full-year 2008 figures show that Colombia's beef exports to Venezuela were about 150,000 metric tons (some 20 percent of Venezuelan consumption), and figures from January to May 2009 showed continued strong trade of about 75,000 metric tons.

¶3. (C) According to Dr. Franz Rivas (protect), an advisor to Ganaderia Los Andes and former Director of Venezuela's animal health authority, imports of the beef carcasses on which the plant is almost completely dependent have stopped. As a result, Los Andes now operates only part time with the few domestic carcasses available on the market. Rivas was very subdued during his conversation with AgSpecialist, and opined that the situation was "hopeless."

¶4. (C) Venezuela is heavily dependent (about 50 percent) on beef imports, as fixed price policies and the expropriation of ranches has led to reduced output. According to Beatrice de Diaz (protect), Director of ASOSENAPOL, a local cattle breed association, cattle numbers will continue to decline for at least 3-5 more years under the current government, and could only recover if current policies are reversed. Leading beef industry figure Dr. Pedro Pinate (protect) also believes that Venezuela's cattle herd will continue to decline, and could only recover to pre-Chavez strength in about 15-20 years.

¶5. (C) Despite Chavez' claims that Argentina, Brazil, and Nicaragua will make up for Colombian exports, local industry sources say that Nicaragua will not likely play a major role. With the recent signing of bilateral trade agreements and sufficient political willpower, Argentina may be able to boost exports to Venezuela, although other local observers

are skeptical about near-term prospects. According to recent trade data, Brazil has in the first six months of this year significantly increased live cattle exports to Venezuela, and may be able to expand further.

¶6. (C) According to Dr. Jorge Ordonez (protect), an advisor to another leading Venezuelan cattle producer group, the real question is not whether or not the full volume Colombia's trade can be replaced, but rather how much needs to be imported and what can be paid for. Ordonez argues that meat demand is weakening due to higher prices and inflation-eroded purchasing power. Thus, he believes that only about 75,000 metric tons of imports need to be replaced, something that MERCOSUR countries could manage if they are willing to shift at least some of their exports to a riskier market such as Venezuela. Ordonez cautioned, however, that the BRV may not have enough ready cash to increase their participation in beef trade to the full extent needed, though such participation is necessary, as private sector importers may not be willing to trade in the current economic and political environment.

¶7. (C) COMMENT: Purchasing from Argentina and Brazil allows Chavez to at once punish Colombia and build relationships with other South American countries. Importing also allows well-placed government officials to benefit from favorable business deals and exchange rate policies, no small consideration.

¶8. (C) COMMENT CONTINUED: Expropriation of leading private sector processors, as threatened by the President on August 4, would help the government to channel beef imports to their own operations, allowing them to claim that they are meeting the people's needs. However, a continued freeze in trade from Colombia will almost certainly constrain domestic supply. If faced with the public impact of empty freezers in markets Venezuela may selectively enforce its ban on Colombian beef.

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